

DISSENT OF COMMISSIONER GLEASON

I respectfully dissent from my fellow Commissioners regarding the Commission's approval of APS's request to loan PWEC up to \$500 million. While I believe the record supports APS's claim that PWEC needs APS's credit support to refinance its debt, a guarantee is the only type of refinancing that is in the public interest.

By this order, the Commission approved a speculative loan from a regulated utility to an unregulated company with less than investment credit rating, which will put the utility over its mandated debt ceiling.

The following support this statement:

1. There is no list of collateral for this loan.
2. There is no appraisal of assets to be used as collateral for this loan.
3. The banks will not make the loan; thus it must be considered a speculative loan.
4. The exclusion of this loan from APS's continuing credit will, by testimony, put APS's debt over the mandated ceiling. This tacitly increases the debt limit when utilities are under pressure to conserve their financial debts.

Thus, the Commission authorized a speculative use of a regulated utilities fund which could put the ratepayers at risk of higher rates.

Furthermore, the fundamental principles of the Commission's Affiliated Interest Rules prohibit exactly this type of situation. To preserve competition and to maintain the integrity of our Affiliated Interest Rules, a lending institution needs to stand in between PWEC assets and APS.

The Order requires APS to refinance PWEC debt in a manner that is in the best interest of the ratepayers. To that end, it is my belief APS should choose a guarantee. Since the Order allows APS to select a loan, I must dissent.